



November 19, 2012

Re: Impact of Senate Bills 1293 and 1294 on Medicare in Michigan

Dear Chairman Lund and Members of the House Insurance Committee:

My name is Christopher Smith and I am a Michigan attorney. In addition to being on the Council for the Elder Law and Disabilities Section of the State Bar of Michigan and a volunteer with the Medicare Medicaid Assistance Program, I also developed a website regarding my concerns about the impact that Senate Bills 1293 and 1294 will have on Medicare in Michigan that is located at <http://www.ProtectMichiganMedicare.org>.

In teaching and counseling individuals about Medicare in Michigan, there are three points I want to convey about the important role the Blue Cross Legacy Medigap plans play in Michigan:

- **Medigap still offers Michiganders the most healthcare access and choice at a predictable and contained cost.**

At last Tuesday's hearing, Blue Cross Blue Shield of Michigan submitted a PowerPoint slide comparing Medigap plans to Medicare Advantage. I am attaching alternative slides explaining how I would counsel a client when making a Medicare Advantage versus Medigap decision.

As the slides show, a Medicare Advantage plan might be cheaper for a healthy individual and may be the best option for some individuals. However, Medicare Advantage plans have **out-of-pocket costs in addition to premiums that are allowed to reach up to \$6,700 a year in many plans.** Additionally, Medicare Advantage plans have either networks or preferred providers, whereas an individual on a Medigap plan can see any doctor or specialist in the country that accepts Medicare.

A Medigap plan also allows an individual to select a customized prescription drug plan ("Part D") that will typically provide better and cheaper prescription drug coverage than the mandatory prescription plan that comes with most Medicare Advantage plans. Also, on a Medigap plan, there is no insurer standing between a doctor and the individual when determining what procedures are medically necessary. And unlike a Medicare Advantage Plan, a Medigap plan typically does not change each year.

- **BCBSM Legacy plans are an invaluable aid to protect seniors against constant Medicare marketing messages and ill-advised Medicare decisions.**

According to a 2011 study by the National Council on Aging, 68% of seniors cannot even venture to guess what Medicare Advantage entails and 46% of seniors have never shopped for better Medicare coverage. Because every single Medicare Advantage plan is different and the details of

each plan are in its fine print, it is a lot easier for an individual to be in a wrong Medicare Advantage plan than it is to be in a wrong Medigap plan.

Additionally, seniors are bombarded with 30-second television commercials and mail marketing that uses sound bites to sell a senior on a complicated Medicare plan that may or may not be best for him or her. Commission schedules also provide incentives that may not be in a Medicare beneficiary's best interest. Luckily, because the Blue Cross Blue Shield Legacy Medigap plans are affordable, comprehensive, and are available regardless of age and medical condition, they provide an important protection in case a senior or individual with disability either signs up for a bad Medicare plan or fails to sign up for an additional plan at all. This is an invaluable senior protection.

- **Losing the current BCBSM Legacy plans will increase Medicaid expenditures in Michigan.**

The fiscal impact study of these bills does not include a projection of the increase in Medicaid if Senate Bills 1293 and 1294 are passed. While it is difficult to put an exact figure on how much Medicaid expenditures would increase, Medicaid costs will increase. Some examples:

- A nursing home resident on Medicaid can deduct his or her medical expenses from the resident's share of the monthly nursing home expense. If the resident's premiums go up or he or she has greater medical co-pays or deductibles, the amount Michigan must pay the nursing home under Medicaid increases.
- A person on BCBSM Legacy Plan C generally has no co-pays or deductibles. Even an individual on a modest income can currently afford its premiums. However, if those premiums are no longer affordable, that person will likely either just be on Original Medicare or will join a Medicare Advantage plan that may have co-pays or deductibles up to \$6,700 a year. Thus, in a medical crisis, it is more likely that this individual will need Medicaid to pay medical bills.
- The co-pays and deductibles of Original Medicare or Medicare Advantage may cause a Michigander to forgo necessary medical treatment. Foregoing that treatment could lead to more serious medical conditions down the road that the individual will need Medicaid to pay for. Worse, that individual may need skilled nursing care under Medicaid.

These are just a few examples of how Senate Bills 1293 and 1294 will shift medical costs from BCBSM onto taxpayers in the form of increased Medicaid expenditures.

I appreciate your time in diligently considering the multitude of ways that this legislation impacts Medicare in Michigan and respectfully ask that the Medigap plans be protected in this legislation.

Sincerely,



Christopher W. Smith

An Alternative Look at BCBSM's Slide Medigap vs. Medicare Advantage

Health Benefits Offered

| Medigap | |
|---|--|
| Coverage | Included |
| Medicare Parts A & B | Yes |
| Choice of doctors? | Yes – Any doctor, specialist, or service that accepts Medicare. |
| Deductibles and Co-pays? | Depends. Under Legacy Plan C, none. |
| Prescription Benefits | Yes – Can choose between dozens (33 in Oakland Cty.) of plans to best meet your specific prescription needs. |
| Coverage while out-of state | Same coverage whether you are in Michigan , California, or any other state. |
| Routine vision and dental | No |
| Appeal Rights When Coverage Denied | Immediately to Independent Reviewer |
| How often does the plan's terms change? | Rarely – plans typically stay the same for years. |

| Medicare Advantage | |
|---|--|
| Coverage | Included |
| Medicare Parts A & B | Yes |
| Choice of doctors? | HMO Plans – limited to network PPO Plans – you will pay much more if you do not use preferred providers. Also, must deal with insurer to get invoice paid. |
| Deductibles and Co-pays? | Almost always. |
| Prescription Benefits | Yes – But in most cases you are limited to that plan's formulary, drug restrictions, co-pays, and deductibles. |
| Coverage while out-of state | Rules vary, but most plans do not provide the same coverage throughout the country. Will pay more or all costs in another state. |
| Routine vision and dental | Some Plans |
| Appeal Rights When Coverage Denied | Typically must first appeal to insurer before independent review. |
| How often does the plan's terms change? | Every year. |

An Alternative Look at BCBSM's Slide

BCBSM Medigap vs. BCBSM Medicare Advantage

Oakland
County
Example

| Medigap BCBSM Medigap Legacy Plan C | |
|--|---|
| Medicare Part B | \$99.90 /month |
| Legacy Plan C Premium | \$122.86/month |
| Part D (Prescription) Premium | Avg. \$41.50 Min. \$15 – Max. \$115.70 |
| Prescription Co-Pays / Deductibles | ? |
| Deductible | \$0 ² |
| Part A & B Co-pays | \$0 ² |
| Preventative Dental Services | \$35/month (Est.) |
| Routine Vision | \$20/month (Est.) |
| Monthly total | \$ 319 + Prescription co-pays |
| Yearly total | \$ 3,831 + Prescriptions |

| Medicare Advantage BCBSM Signagture PPO | |
|--|--|
| Medicare Part B | \$99.90 /month |
| BCBSM Signature PPO Premium | \$70.90/month |
| BCBSM Signature Part D (Prescription) Premium (required) | \$54.19/month |
| Prescription Co-Pays / Deductibles | ? – Likely more because plan is not customized. |
| Deductible | \$500 for out-of-network services |
| Part A & B Co-pays | Up to \$6,100 each year |
| Preventative Dental Services | 2 visits covered a year in network |
| Routine Vision | 1 visit /year |
| Monthly total | \$ 225 + Part A & B Co-pays + Prescription Co-pays |
| Yearly total | \$ 2,670 - \$8,800 + Prescriptions |

Medigap contains healthcare costs for seniors and individuals with disabilities, while offering the most healthcare choice and certainty.

¹ BCBSM references a \$112.40 plan in their slide. There is no plan in Michigan at that premium price (see Medicare.gov and in BCBSM's Evidence of Coverage). We assume BCBSM is referencing its PPO Signature product., which has a monthly premium of \$125/month and is being used above.

² Assumes all doctors accept Medicare assignment – almost all doctors do.